

Ms. Janey Link, Controller
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

Re: AC# 3-LLD-J5 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility

Dear Ms. Link:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Janey Link, Controller
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

Re: Draft Report - AC# 3-LLD-J5 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing
Care Facility

Dear Ms. Link:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within five (5) calendar days of your receipt of this report, and the conference must be held within ten (10) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than ten (10) calendar days after your receipt of this report.

If we do not hear from you within five (5) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-LLD-J5 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing
Care Facility

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within five (5) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/cwc

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**

SENECA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-LLD-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 13, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract periods beginning October 1, 1996, and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-LLD-J5

Adjusted reimbursement rate	\$86.62
Interim reimbursement rate (1)	<u>83.84</u>
Increase in reimbursement rate	\$ <u>2.78</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-LLD-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$ 54.99	\$42.83	\$42.83
Dietary	<u>-</u>	<u>13.88</u>	<u>9.46</u>	<u>9.46</u>
Subtotal	<u>\$ -</u>	68.87	52.29	52.29
Laundry/Housekeeping/Maint.	\$ -	12.01	7.32	7.32
Administration & Med. Rec.	<u>-</u>	<u>15.60</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	<u>\$ -</u>	96.48	<u>\$68.21</u>	68.21
<u>Costs Not Subject to Standards:</u>				
Utilities		2.55		2.55
Special Services		1.36		1.36
Medical Supplies & Oxygen		2.77		2.77
Taxes and Insurance		.68		.68
Legal Fees		<u>.18</u>		<u>.18</u>
TOTAL		<u>\$104.02</u>		75.75
Inflation Factor (4.90%)				3.71
Cost of Capital				9.76
Cost of Capital Limitation				(2.85)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$86.62</u>

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-LLD-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 1,612,423	\$ -	\$ 74,435 (1)	\$ 1,537,988
Dietary	468,249	-	79,912 (1)	388,337
Laundry	139,205	-	36,713 (1)	102,492
Housekeeping	139,941	-	10,675 (1)	129,266
Maintenance	101,200	3,072 (1)	-	104,272
Administration & Medical Records	208,762	227,440 (1)	-	436,202
Utilities	57,615	13,728 (1)	-	71,343
Special Services	7,407	30,721 (1)	-	38,128
Medical Supplies & Oxygen	64,054	13,329 (1)	-	77,383
Taxes & Insurance	9,139	9,966 (1)	-	19,105
Legal Fees	-	4,964 (1)	-	4,964
Cost of Capital	<u>243,805</u>	<u>114,628</u> (2)	<u>85,563</u> (1)	<u>272,870</u>
Subtotal	3,051,800	417,848	287,298	3,182,350

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-LLD-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	43,657	906 (1)	-	44,563
Non-Allowable	43,875,897	-	16,828 (1)	43,744,441
	<u> </u>	<u> </u>	<u>114,628 (2)</u>	<u> </u>
Total Operating Expenses	<u>\$46,971,354</u>	<u>\$418,754</u>	<u>\$418,754</u>	<u>\$46,971,354</u>
TOTAL BEDS <u>79</u>		TOTAL PATIENT DAYS <u>27,970</u>		

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-LLD-J5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 3,072	
	Administration	227,440	
	Utilities	13,728	
	Special Services	30,721	
	Medical Supplies	13,329	
	Taxes and Insurance	9,966	
	Legal	4,964	
	Ancillary	906	
	General Services		\$ 74,435
	Dietary		79,912
	Laundry		36,713
	Housekeeping		10,675
	Cost of Capital		85,563
	Nonallowable		16,828
	To adjust cost centers to amounts per the audited Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	114,628	
	Nonallowable		114,628
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$418,754	\$418,754

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-LLD-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>79</u>
Deemed Asset Value	2,525,867
Improvements Since 1981	344,635
Accumulated Depreciation at 9/30/95	<u>(1,203,153)</u>
Deemed Depreciated Value	1,667,349
Market Rate of Return	<u>.070</u>
Total Annual Return	116,714
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	116,714
Depreciation Expense	156,156
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	272,870
Total Patient Days (Minimum 97% Occupancy)	<u>27,970</u>
Cost of Capital Per Diem	\$ <u><u>9.76</u></u>

**OCONEE MEMORIAL HOSPITAL, INC. D/B/A
LILA DOYLE NURSING CARE FACILITY**
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-LLD-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	<u>9.76</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.85)</u>